



City of Westminster

Cabinet Agenda

Title: **Cabinet**

Meeting Date: **Monday 10th October, 2016**

Time: **7.00 pm**

Venue: **Rooms 5, 6 & 7 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP**

Members: **Councillors:**

Baroness Philippa Coultie (Chairman)	Danny Chalkley
Heather Acton	Robert Davis, MBE, DL
Nickie Aiken	David Harvey
Daniel Astaire	Tim Mitchell
Melvyn Caplan	Rachael Robathan

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.30pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.



An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Mick Steward, Head of Committee and Governance Services.

**Tel: 7641 3134; Email: msteward@westminster.gov.uk
Corporate Website: www.westminster.gov.uk**

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Director of Law in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. WELCOME

2. DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.

3. MINUTES

To approve the minutes of the meeting held on 11 July 2016.

4. EFFICIENCY PLAN, FOUR YEAR FINANCIAL SETTLEMENT AND FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

Report of the City Treasurer, attached.

5. NORTH WEST LONDON SUSTAINABILITY AND TRANSFORMATION PLAN (TO FOLLOW)

6. ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT

(Pages 1 - 4)

(Pages 5 - 10)

**Charlie Parker
Chief Executive
30 September 2016**



CITY OF WESTMINSTER

MINUTES

Cabinet

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Cabinet** held at 7.00pm on **Monday 11th July, 2016**, Rooms 5, 6 & 7 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Couttie (Chairman), Robert Davis, MBE, DL (Vice-Chairman), Heather Acton, Nickie Aiken, Melvyn Caplan, David Harvey, Tim Mitchell and Rachael Robathan

Apologies for Absence: Councillor Daniel Astaire and Councillor Danny Chalkley

1 WELCOME

1.1 Councillor Philippa Roe welcomed those present.

2 DECLARATIONS OF INTEREST

2.1 There were no Declarations of Interest.

3 MINUTES (6 JUNE 2016)

3.1 The Leader, with the consent of the Members present, signed the Minutes of the meeting held on 6 June 2016 as a true and correct record of the proceedings.

4 PROCUREMENT TRADED SERVICES (SEE REPORT OF THE CHIEF PROCUREMENT OFFICER)

4.1 Anthony Oliver, Chief Procurement Officer, introduced the report. He advised that the proposal would provide additional skills for the team as well as achieve the necessary savings targets and may be additional further income.

4.2 Councillor Tim Mitchell, Cabinet Member for Finance and Corporate Services, spoke in favour advising that the proposal gave an opportunity for income and for the team's experience to be used by other parts of the public sector. It would also develop the team's own skill base.

4.3 **Resolved:**

- (i) That the report attached as Part B in Appendix 5, be exempt from public disclosure in that it contains commercially sensitive information pursuant to paragraph 3 to Schedule 12A of the Local Government Act 1972, as amended.
- (ii) That the establishment of a private limited company wholly owned by Westminster City Council, for the sole purpose of developing traded (“procurement consultancy services” as set out in the report, be approved.
- (iii) That the establishment of a joint venture trading company between Westminster Procurement Services Ltd and the preferred partner as detailed in the report, to provide “procurement consultancy services” to public sector organisations as set out in the report, be approved.
- (iv) That the naming of the joint venture trading company be agreed by the Chief Procurement Officer in consultation with the Cabinet Member for Finance and Corporate Services.
- (v) That the appointment of Directors as detailed in the report be approved.
- (vi) That the broad governance and funding arrangements for the trading company, as set out in the report, be approved and the Director of Law, be given delegated authority to settle the detailed arrangements for the establishment of both the procurement trading company and the joint venture trading company including detailed constitutional issues such as additional matters to be reserved to the Council as shareholder in both companies and any necessary agreements between the procurement trading company and the Council, and the procurement trading company and the joint venture trading company.

Reasons for Decision

- (i) The public sector continues to be challenged to deliver significant savings targets required by the Government in addressing the national budget deficit. In addition, there is a need to reduce our costs, increase our income or both as well as increase efficiency and best practice.
- (ii) Many local authorities have failed to grasp the need for professional procurement resources within the organisation to meet the increased demand to reduce costs and transform services.
- (iii) The niche procurement consultations have failed to address the opportunity within the public sector. This is due to insufficient experience in this market and the complexity of public sector governance and EU procurement regulations; whilst some of the larger consultancies eg IBM, PWC etc, are recognised to be an exception.

- (iv) Shortage of experienced procurement professionals has led to increased interim rates which have the potential of opening up the market to consultancies.
- (v) There is an opportunity for procurement consultancies, with expertise in the public sector, to target public sector bodies including but not limited to local and central government, agencies, housing associations, health and education establishments.
- (vi) A blended model that leverages the resources of both Westminster and a third party consultancy will be most effective in assuring that service delivery in the Council is maintained and strong commercial outcomes are delivered.
- (vii) Westminster is able to knowledge share and leverage expertise with a joint venture partner to provide joint benefits and allow the Council to leverage new knowledge and skills to its own benefit. This would help with retention of procurement resources as well as making Westminster a more attractive place to work for procurement professionals.

5 FEES AND CHARGES (SEE REPORT OF THE CITY TREASURER)

- 5.1 Steve Mair, City Treasurer, introduced the report. He advised that it was important to review fees and charges on an annual basis. The report set out formal timelines for these, which had been supported by the Executive Management Team.
- 5.2 Councillor Tim Mitchell, Cabinet Member for Finance and Corporate Services, emphasised the importance of these being reviewed annually by Chief Officers in order to achieve full cost recovery.
- 5.3 Councillor Melvyn Caplan endorsed the proposal and stressed the importance of officers reacting as quickly as possible to changing legislation and opportunities.
- 5.4 **Resolved:**
 - 1. That the following be approved:
 - (a) the new timeline for 2017-2018 annual review of fees and charges, as set out in Section 64 which will include a review by Cabinet each June.
 - (b) the charging policy to guide the way fees and charges are set in the future, are set out in Appendix 1 of the report.
 - (c) That the charging policy be reviewed annually as part of the annual review of fees and charges.
 - (d) That all services currently operating at a loss work towards cost recovery – either through increased income, decreased costs or potentially looking at alternative opportunities.

- (e) Review areas of opportunity in relation to fees and charges for the Medium Term Plan in line with the timetable, expected to be completed in September 2016.
- 2. That Appendix 2 be exempt from public disclosure by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended – information relating to the financial and business affairs of the authority; and
- 3. That the information set out in Appendix 2 of the report be noted.

Reasons for Decision

To improve and revise the Council's fees and charges process.

The Meeting ended at 7.06 pm

CHAIRMAN: _____

DATE _____



City of Westminster

Cabinet Report

Decision Maker:	Cabinet
Date:	10th October 2016
Classification:	General Release
Title:	Efficiency Plan, Four Year Financial Settlement and Flexible Use of Capital Receipts Strategy
Report of:	City Treasurer
Cabinet Member Portfolio	Cabinet Member for Finance and Corporate Services
Wards Involved:	All
Policy Context:	The efficient and effective management of the Council's financial affairs
Report Author and Contact Details:	Steven Mair – City Treasurer smair@westminster.gov.uk

1. Executive Summary

- 1.1 This Efficiency Plan supports Westminster City Council's (WCC) Medium-Term Financial Plan (MTFP) and outlines how the certainty of a 4 year settlement 2016/17 to 2019/20 from the Department of Communities and Local Government (DCLG) can provide benefits and opportunities for further savings to the Council.
- 1.2 Full Council approved the [Council's 2016/17 to 2019/20 Budget and Council Tax Report](#) on 2nd March 2016. This will be updated on 1st March 2017 and will document the financial strategy from 01/04/2017 until 31/03/2021
- 1.3 This Efficiency Plan outlines how WCC plans to meet the financial challenge it faces and continue to deliver savings whilst protecting services for residents, local business and visitors to Westminster.
- 1.4 WCC has strived to close the funding gap created by financial pressures and reductions in government grant whilst protecting services and has a proven track record of achieving this.
- 1.5 In 2016/17 the gross funding gap of £45.876m has been met by the following strategies:

	Budget Adjustment	
	£,000's	%age
Financing	7,827	17%
Commercial	10,407	23%
Transformation	11,555	25%
Efficiency	15,855	35%
Service Reduction	232	1%
	45,876	100%

1.6 This shows the significant emphasis WCC had put on exploiting opportunities to generate commercial income, using financing leverage to obtain the best value for taxpayers and by transforming the way in which the Council delivers services (e.g. through LEAN reviews). Only a very small proportion of savings have come from reductions in the level of service delivered.

2. Recommendations

2.1 It is recommended that Cabinet agrees to:

- The four year financial settlement as set out in the DCLG 2016/17 Final Local Government Finance Settlement
- The principle of utilising capital receipts to finance revenue expenditure in the circumstances outlined, subject to agreement as part of the Council's budget setting process

3. City for All

3.1 The Council is now in the second year of its [City for All strategy](#), an ambitious programme which clearly lays out the Council's objectives across three main themes of Choice, Aspiration and Heritage.

3.2 Year one of the strategy was a huge success and the strategy document web link above provides detail on the range of achievements across the three themes, as well as outlining future plans. These plans provide a clear vision for the Council and enables managers to understand the service priorities which need to be delivered within the resource constraints created by the funding gap over the coming financial years.

4. Four-year Settlement

4.1 Within this context, the assurance of a fixed multi-year settlement has the opportunity to facilitate the generation of further opportunities for income generation and efficiency savings, which will help us to work towards a financial position which allows for a further reduction in local government funding. This certainty of the four-year settlement will provide the following opportunities and benefits:

- Managing Budget Changes – the late nature of the Provisional and Final Local Government Financial Settlements has provided a challenge with late notification of central government funding levels providing the potential for
 - a) late additional savings being needed for which there is not adequate time to properly consult with the public or staff and
 - b) budget reductions which are no longer required which leads to wasted planning.
 - The benefit of the four year settlement means that funding levels will not be confirmed at short notice. Allowing crucial decisions can be made on an informed rather than reactive basis. It will also provide the opportunity to allow for more informed discussions or debate with residents on priorities. This means the Council has the opportunity to develop its financial strategy on a more secure footing which, for example, will allow for more secure treasury management planning.
 - Longer term financial planning – with the four year settlement the Council has the opportunity to set budgets and form budget plans which are longer term in nature. The Council has responded to this opportunity by starting to develop a 10 year medium term financial plan. This will allow long term planning of service developments which would not otherwise have been possible to the same extent, providing consideration and taking account of demographic factors and service demand indicators.
 - In addition, underpinning the financial planning the Council has the opportunity to improve risk management, the ability to be innovative and engage meaningfully with partners against a backdrop of relative financial stability and other benefits.
 - Local Government Association officials have indicated that DCLG are committed to ensure that no local authority accepting the offer will be placed in a worse position than if they choose not to make such an election (but there are no guarantees that if we do not sign up we will get as high a Settlement);
 - The four-year settlement brings a degree of certainty that allows us to plan – reducing the level of risk and thus amount of risk provision we might otherwise have to set aside. Subject to the reality of unforeseen circumstances causing the policy to be reviewed at a national level
 - The original offer made by the then Secretary of State, Greg Clarke, in February 2016 stated that this would be the only offer of a multi-year settlement in this Parliament – increasing the importance of deciding at this stage whether we wish to avail ourselves of the opportunity
- 4.2 Within the four year settlement framework the Council will tackle its budget gap using the well - established and highly successful processes it has previously used and will also encompass new and innovative approaches to possible service innovation and financial savings:

- The development of a Transformation Programme across Council services which will consider the following themes and options:-
 - The balance between universal, targeted and charged for services: to consider the degree of what our universal offer is for services combined with different charging models
 - People and new ways of working: focused on maximising the potential of current staff, supporting the shift from delivery to enablement, attracting and retaining the best talent in a competitive market and engaging and empowering staff.
 - New ways of working: a key facet of a number of strategies including people, digital engagement and asset management strategies, to create an environment that delivers more collaboration, collective responsibility as well as productivity as part of our cost reduction proposals.
 - Self-service: moving forward our finance and HR models are predicated on achieving high levels of self-service. This requires changes in behaviours from both managers and staff.
 - Commissioning/procurement/enabling: working with others that deliver on its behalf.
 - Digital: making the most of Council systems as well as undergoing a digital transformation on current processes/delivery models in order to drive out efficiencies and deliver more responsive services to residents.
 - Project and programme management: developing new skills and capability, new models of delivery and supportive but disciplined programme governance.
 - Community and stakeholder engagement: development of The Open Forum initiative to allow segmented engagement with a cross section of the local Westminster community. Developing radical engagement with our residents, particularly the next generation of service users.

- Procurement – The Council recognises that effective procurement is fundamental in supporting the delivery of the Council’s overall financial strategy and delivery of the Council’s vision “City for All”. Procurement Services reflects the importance of a commercially aware procurement organisation that adopts best practice and continuous improvements through its people, market engagement, technology and our operating model. Procurement in Westminster has been accredited by the Chartered Institute of Procurement & Supply. An increased focus on the effectiveness of contracts management during the life of a contract will drive further efficiencies, value and savings. Organisation models for driving best practice in commercial contracts management are currently under review

- Enhanced review and requirement from the Council's balance sheet including a drive on reducing debtors, active cash management, review of assets and compliance with enhanced standards on payments among others
- Lean reviews which will take place across the Council on a phased basis to ensure the Council is maximising efficiency and reducing wasteful processes
- Continued development of financial rigour as part of the planned programme of improved financial management including the use of benchmarking, full business case operation for schemes in the capital programme and developing business planning likewise across the whole Council
- Commercialisation remains a major driver within the Council and this will see continued identification and development of commercial opportunities including income generation, cost reduction and alternative models of operation

4.3 If the four year settlement is accepted the reductions in the Council's core funding would be (after adjusting for an appropriate level of inflation):

	£m
2017/18	11
2018/19	8
2019/20	8

5. Flexible Use of Capital Receipts

5.1 As part of our MTFP, the Council has two capital schemes which will provide transformational and efficiency savings over the short, medium and long-term which have the potential to fit in with the regulations in respect of using capital receipts to fund revenue. WCC already has an ambitious capital programme in place, including a large regeneration programme, which will provide new homes, commercial, leisure and community spaces across the City.

5.2 These approved schemes make use of several sources of funding, including capital receipts. WCC has already divested itself of obsolete and inefficient assets, in order to provide funding to support the provision of new, efficient and fit for purpose capital assets.

5.3 The latest guidance by the Secretary of State directs that:

- Authorities may treat expenditure which is incurred in the design of projects that will generate on-going revenue savings in public services or that will transform service delivery to reduce costs or manage demand in future years for public service partners as capital expenditure.
- Such expenditure is incurred between 1 April 2016, 1 April 2017 and 1 April 2018.
- Expenditure is only eligible if it has been incurred in the periods above i.e. it does not apply expenditure incurred prior to 1 April 2016.

- 5.4 The Council has reviewed the Flexible Use of Capital Receipts guidance and identified the following schemes as meeting the eligibility criteria laid out in the guidance document, in that they are forecast to generate on-going revenue savings through reducing costs of service delivery.
- 5.5 These schemes are included in the [capital programme that was approved by Full Council on 02/03/2016](#) but also include significant revenue spend which it is proposed is financed by capital receipts.

Project	Qualifying criteria
<i>Westminster City Hall Refurbishment</i>	<i>Rationalising office space to reduce costs; and create revenue generating commercial space</i>
<i>Digital Transformation</i>	<i>Driving a digital approach to the delivery of more efficient services</i>

- 5.6 The use of flexible capital receipts to part-fund these major projects will be presented to Cabinet for approval as part of the budget setting process.
- 5.7 The capital programme is reviewed annually and approved by Full Council in the budget setting cycle in March each year. Any new eligible schemes will be included in this report, with clear indication that they will be fully or part-funded by the flexible use of eligible capital receipts.
- 5.8 Any changes to this programme during the year will be presented back to Cabinet, and notified to the DCLG, as per the requirements of the guidance.

6.0 Legal Implications

- 6.1 There are no particular legal implications arising from this report.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact Steven Mair 020 7641 2904

BACKGROUND PAPERS

Westminster City Council - Council Tax Report 2016/17

<http://westminster.moderngov.co.uk/documents/b12086/Budget%20and%20Council%20Tax%20Report%20Including%20Appendix%20A%2002nd-Mar-2016%2019.00%20Council.pdf?T=9>